

**Before the
Federal Communications Commission
Washington, D.C. 20554**

In the matter of)	
)	
Financial Accounting Standards Board)	
)	WCB/Pricing 03-19
Statement of Financial Accounting Standards No.)	
144, Accounting for the Impairment or Disposal of)	
Long-Lived Assets)	

ORDER

Adopted: May 14, 2003

Released: May 14, 2003

By the Chief, Wireline Competition Bureau:

1. In October 2001, the Financial Accounting Standards Board (FASB)¹ adopted Statement of Financial Accounting Standards No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets (SFAS 144). SFAS 144 requires companies to recognize an impairment loss when the carrying value of an asset is not recoverable from its undiscounted cash flows. The impairment loss is measured as the difference between the carrying amount and the fair value of an asset. SFAS 144 also requires companies to review their depreciation methodology with respect to assets that become impaired.

2. In a letter dated February 14, 2003, BellSouth Corporation notified the Commission that it would adopt SFAS 144 for financial reporting purposes beginning January 1, 2003.² BellSouth states that it does not plan to adopt the new standard for the Commission's regulatory accounting purposes, however, because it believes the new accounting required in SFAS 144 conflicts with the Commission's accounting rules prescribed in Part 32.³

3. It is the Commission's policy to incorporate changes in generally accepted accounting principles into its regulatory accounting, unless the changes conflict with its regulatory objectives.⁴ Section 32.16 of the Commission's rules, Changes in Accounting Standards, provides for automatic adoption of new FASB standards unless the Commission notifies carriers that a new standard should not be adopted within 90 days after receiving notification.⁵

4. The Commission's rules do not provide a method to write down the cost of an asset or group of assets that will continue in use as required by SFAS 144. Instead, the Commission's rules in

¹ The Financial Accounting Standards Board is the authoritative standard setting body responsible for accounting and disclosure practices to be used for published financial statements in the American business community.

² Letter from Mary L. Henze, Executive Director, Federal Regulatory Affairs, BellSouth, to William Maher, Chief, Wireline Competition Bureau, FCC (February 14, 2003).

³ 47 C.F.R. Part 32.

⁴ *Revision of the Uniform System of Accounts for Telephone Companies to Accommodate Generally Accepted Accounting Principles*, CC Docket No. 84-469, Report and Order, 50 Fed. Reg. 48408 (Nov. 25, 1985).

⁵ 47 C.F.R. § 32.16.

section 32.2000(d)(1) require carriers to account for and keep their telecommunications plant accounts at original cost.⁶ We conclude, therefore, that SFAS 144 should not be implemented for federal accounting purposes unless a rulemaking is completed to modify our current rules to accommodate the new accounting. Accordingly, we are notifying carriers that they shall not adopt SFAS 144 for Part 32 federal accounting purposes unless the Commission specifically requires the adoption of SFAS 144 accounting in the future.

5. ACCORDINGLY, IT IS ORDERED, pursuant to section 4(i), 4(j), and 220 of the Communications Act of 1934, as amended, 47 U.S.C. § 154 (i), 154 (j), and 220, section 32.16 of the Commission's rules, 47 C.F.R. § 32.16, and the authority delegated pursuant to sections 0.91 and 0.291 of the Commission's rules, 47 C.F.R. §§ 0.91, 0.291, that all subject carriers are notified that they shall not adopt SFAS 144 for federal accounting purposes.

FEDERAL COMMUNICATIONS COMMISSION

William F. Maher, Jr.
Chief, Wireline Competition Bureau

⁶ 47 C.F.R. 2000(d)(1).